

2006 Legislative Session

Idaho State Tax Commission
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The following House Bills are *now* law:

1. H.B. **413** Related Legislative Service's Corrections
2. H.B. **421A** Homeowner's Exemption
3. H.B. **422A** Property Tax Reduction Program
4. H.B. **443A** Recapture of Qualified Investment Exemption
5. H.B. **461** STC Property Tax Cleanup
6. H.B. **474A** STC Technical Corrections
7. H.B. **676A** Rural Homesite Exemption & Agricultural Use Exemption
8. H.B. **680** Property Tax Deferral
9. H.B. **705A** Cooperative Service Agencies (School Districts)
10. H.B. **707** Registration of Executive Branch Lobbyists
11. H.B. **743** School Facilities Cooperative Funding Program
12. H.B. **763** Recodify Fire District Statutes
13. H.B. **764** Hospital Property Tax Exemption
14. H.B. **778A** Exemption of Property Used for Nonprofit School Purposes
15. H.B. **781** Property Tax Bills & Payments

The following House Bills are *not* law:

1. H.B. **816** Wind Energy Production Tax
2. S.B. **1488** Information Reporting

**Related Legislative Service's
Corrections
H.B. 413**

- Corrects section 9-340D, Idaho Code – Renumbering subsections and creating subsection 24 (confidential income data – H.B.222).
- Amends section 63-602HH[II], Idaho Code – Renumbers Section 1, Chapter 279, Laws of 2005 (unused infrastructure optional exemption), to be section 63-602II, Idaho Code.
- **Effective 7/1/2006. (Law.)**

**Homeowner's Exemption
H.B. 421A**

- Amends section 63-602G, Idaho Code.
- Increases maximum exemption from \$50,000 to \$75,000.
- Tax Commission will increase maximum annually based on housing price index.
- Adds value of land (definition of homestead in section 63-701, Idaho Code, includes land up to 1 acre).
- Taxpayers can make application by April 17, 2006, and assessors have until mailing of assessment notices to finalize amount of exemption.
- **Effective 1/1/2006. (Law.)**

Property Tax Reduction Program H.B. 422A

- Amends Chapter 7, Title 63, Idaho Code.
- Increases maximum eligibility income to the greater of \$28,000 per household or 185% of federal poverty guidelines for family of two (not cost of living adjustments). (This will not exceed \$28,000 for 5 to 6 years.)
- Increases maximum benefit to \$1,320.
- Redefines household income to exclude the return of any principal paid on nontaxable portion of any annuity by the recipient.
- Redefines household income to include capital gains.
- Clarifies only persons who apply for homeowner's exemption are eligible claimants.
- **Effective 1/1/2006. (Law.)**

Recapture of Qualified Investment Exemption H.B. 443A

- Taxpayer must report to the Tax Commission the recapture of the property tax exemption in lieu of investment tax credit, identified for property tax purposes as the qualified investment exemption (QIE).
- Payment of the recapture must accompany the taxpayers state income tax filing for the income tax year within which the event causing the recapture occurred.
- Failure by the taxpayer to pay the recapture when the income tax is filed results in the taxpayer having a deficiency.
- **Effective 1/1/2006. (Law.)**

STC
Property Tax Cleanup
H.B. 461

- Amends section 63-602HH, Idaho Code – Excluding property exempted as significant capital investment (\$800,000,000 in 1 county) from the new construction roll.
- Amends section 63-710, Idaho Code, removing language that was outdated since full funding in late 1980s:
 - Deleting provision to proportionally reduce property tax reduction (PTR) benefits when not fully funded.
 - Deleting provision giving county commissioners authority to levy for funds to fully fund PTR.
- Amends section 63-2909, Idaho Code – Deleting requirement for assessors to separately list on the new construction roll the value of property on which property tax was rebated.
- **Effective 1/1/2006. (Law.)**

STC
Technical Corrections
H.B. 474A

- Amends section 63-317, Idaho Code – clarifying industrial property is subject to occupancy tax and operating property is not.
- Amends section 63-201, Idaho Code – clarifying that operating property is defined to include electrical generation plants under construction whether or not owned by or operated in connection with any public utility.
- Amends section 63-405, Idaho Code – clarifying operating property (assessed by STC) used in connection with thermal generation of electricity and apportioned based on physical location is included on the new construction roll.
- **Effective 1/1/2006. (Law.)**

Rural Homesite Exemption & Agricultural Use Exemption H.B. 676A

- Repeals section 63-602FF, Idaho Code, Rural Homesite Exemption.
- Amends section 63-602K, Idaho Code – Land meeting the requirements of “actively devoted to agriculture” with the same use after being platted continues to be eligible for this exemption, unless such use is restricted.
- Amends section 63-604, Idaho Code:
 - Any platted land that qualified for the exemption under section 63-602FF, Idaho Code, in 2005 shall be eligible for the exemption under section 63-602K, Idaho Code, if the owner files a statement with the county commissioners (by 4th Monday in June) that the land will be used for agricultural purposes in 2006.
 - Defines “platting” to mean filing of drawing, map, or plan of a subdivision or re-platting of such, including certification, descriptions, and approvals from the proper officials.
 - See above-listed amendment to section 63-602K, Idaho Code.
- **Effective 1/1/2006. (Law.)**

Property Tax Deferral H.B. 680

- Adds subsection 63-712 – 721, Idaho Code.
 - Defers property taxes in excess of property tax reduction (PTR) benefits on qualified property (home and up to 1 acre) up to the proportional share of \$500,000.
 - Qualified claimant is anyone who is properly receiving PTR benefits and the homeowner's exemption and makes application by PTR deadline (April 17, 2006). (If claimant doesn't apply, no deferral is received for the current year but will continue prior deferral.)
 - Qualified property is any property on which the owner-claimant:
 - Does not share ownership with anyone other than the spouse nor is the ownership subject to a trust or life estate.
 - Provides proof of insurance at an amount to cover taxes and interest.
 - Reports the outstanding balances of any encumbrances.
 - During the deferral period interest accrues at 6% annually.
 - State Tax Commission (STC) shall file a notice of lien (not a first and prior lien) with the county recorder for deferred property taxes and interest thereon.
 - STC shall pay half of deferred taxes in December and June, respectively, up to the proportional share of \$500,000.
 - Deferral must be denied if (submit questions for legal advice):
 - The claimant fails to prove equity to secure payment of all deferrals.
 - The claimant fails to prove insurance to cover all deferred tax and interest.
 - The total deferral exceeds 50% of the claimant's share of the property value.
 - Deferral of property taxes ends upon the earlier of:
 - Voluntary payment to STC of all deferred taxes and interest.
 - Death of last surviving qualified claimant.
 - Sale or transfer of title on all or any part of the property (excluding transfer to surviving spouse).
 - Loss of homeowner's exemption
 - STC determines deferral was granted to a person who is not qualified or on property that is not qualified.
- Amends section 63-3638, Idaho Code, distributing sales tax revenue for STC to pay deferred property taxes.
- **Effective 1/1/2006. (Law.)**

**Cooperative Service Agencies
(School Districts)
H.B. 705A**

- Amends section 33-317, Idaho Code (currently allows 0.1% for programs upon majority vote).
- Upon a 2/3 voter approval, member school districts may levy an additional 0.1% for 10 years to fund construction and maintenance of the facilities of a cooperative service agency.
- Without any limit, voters may approve an additional 10 years.
- **Effective 7/1/2006. (Law.)**

**Registration
of
Executive Branch Lobbyists
H.B. 707**

- Amends Chapter 66, Title 67, Idaho Code.
- Requires anyone attempting to influence state executive or administrative actions to register with the Secretary of State and to file semiannual reports of lobbying activities and expenditures.
- Exempts participation in public meetings, public hearings, or public proceedings held or initiated by executive officials or their employees.
- Exempts elected officials.
- **Effective 1/1/2006. (Law.)**

**School Facilities
Cooperative Funding Program
H.B. 743**

- Amends and adds various school building maintenance statutes in response to Supreme Court decisions interpreting the constitutional requirement for “thoroughness” to include “a safe environment conducive to learning”.
 - Upon failure to pass one or more bond levies during a two year period, school districts may apply for funding from the school facilities funding program.
 - Provides for a 10-year plan from the division of building safety and department of education to be supplied to each school district.
 - School districts will annually deposit from bond revenue 2% of the replacement value of school buildings into the school building maintenance fund.
 - Possible new levy authority for state authorized school facilities levy.
 - Provides for the state board of education to order state supervision of a school district.
 - Appropriates \$25,000,000 from the general fund to the Public School Facilities Cooperative Fund.
- Amends section 63-2520, Idaho Code – distributing revenue to the general fund for bond levy equalization.
- **Effective 7/1/2006. (Law.)**

Recodify Fire District Statutes

H.B. 763

- Amends Chapter 14, Title 31, Idaho Code.
- Changes relating to annexation (subsections 31-1411, 1412, and 1429, Idaho Code):
 - Only territory of 40 acres or more may be annexed when that territory is not contained in an existing fire district and not adjacent to the fire district seeking annexation (section 31-1411, Idaho Code).
 - If more than 25% of the property holders don't join in a petition for annexation, an election will be held on the issue when the fire district board decides an annexation is in the best interests of the district and that an election should be held (section 31-1411, Idaho Code).
 - If property holders within an existing fire district petition to be annexed into a different fire district, they must show the likelihood of improved response for services and must receive written approval of the existing district (section 31-1411, Idaho Code).
 - Requires more detailed boundary information for annexation of territory in adjacent county (section 31-1412, Idaho Code).
 - Requires written consent from both the fire district and the city for territory within a city to be annexed into a fire district or deannexed from a fire district (section 31-1429, Idaho Code).
- Amends section 31-1420, Idaho Code (levy limit), to be section 31-1423, I.C.
- Amends section 31-1422, Idaho Code (exemptions), to be section 31-1425, I.C.
- **Effective 7/1/2006. (Law.)**

Hospital Property Tax Exemption

H.B. 764

- Amends section 63-602D, Idaho Code.
- Exempts real and personal property belonging to county hospitals and hospital districts. (Already exempt under section 63-602A, Idaho Code.)
- Exempts medical equipment **leased** to county hospitals and hospital districts. (For this leased property, the exempt status under section 63-602D, Idaho Code, was being questioned prior to this amendment.)
- **Effective 1/1/2006. (Law.)**

Exemption of Property Used for Nonprofit School Purposes H.B. 778A

- Amends section 63-602E, Idaho Code – Clarifies all property used primarily for “nonprofit” or charter school purposes is partially exempt.
 - For the Board of Equalization (BOE) to decide nonprofit status - Canyon County v. Sunny Ridge Manor provides guidelines, 106 Idaho 98, P.2d 813 (1984).
- **Effective 1/1/2006. (Law.)**

Property Tax Bills & Payments H.B. 781

- Amends section 63-902, Idaho Code – Requiring county treasurers to list the following school district funds separately:
 - Maintenance and operations.
 - Bond.
 - Supplemental.
 - Other.
- Amends section 63-906, Idaho Code – Clarifying taxpayers can arrange partial payments, including, but not limited to, monthly or quarterly.
- **Effective 7/1/2006. (Law.)**

Wind Energy Production Tax H.B. 816

- Amends Chapter 35, Title 63, Idaho Code.
 - Defines taxing unit to include all taxing districts and any taxing district's fund having a different geographic boundary than that taxing district.
 - Establishes a production tax of \$0.002 per kilowatt hour in lieu of property taxes on all operating property used in the production of electricity from wind energy.
 - Requires wind energy producers to submit an operator's statement to the State Tax Commission (STC) reporting:
 - Kilowatt hour of production at grid interconnection meter.
 - Original cost and location of operating property used to produce electricity from wind energy.
 - Requires STC to apportion the wind energy tax:
 - Based on the ratio of weighted original costs and apportionment rate for each appropriate taxing unit to the total weighted project costs.
 - Notify the superintendent of public instruction, county auditor, and county treasurer of the apportioned wind energy tax by the second Monday in August.
 - Requires county auditor to notify each appropriate taxing unit of the apportioned wind energy tax by the third Monday in August.
 - Requires payment of wind energy tax by June 15 each year.
 - Provides for 5% penalty and 1% per month interest on delinquent wind energy tax.
 - Wind energy tax is a lien on all real, personal, or operating property owned by the wind energy producer.
 - Requires the county assessor to assess all non-operating property of any wind energy producer.
- Amends Chapter 6, Title 63, Idaho Code by adding a new section (section 63-602JJ, Idaho Code) exempting wind energy producer's operating property *used to produce electricity from wind energy* upon payment of the wind energy tax.
- **Did Not Pass; Expected Back in 2007.**

Information Reporting S.B. 1488

- Amends section 63-105A (2), Idaho Code.
- State Tax Commission shall promulgate rules establishing property tax information reporting standards.
- Guidelines in “Statement of Purpose.”
 - Non-owner occupied residential:
 - Fourplex and less rentals.
 - Previously occupied homes for sale.
 - Platted lots, bare or with improvements under construction.
 - Second homes, out-of-state and in-state owners.
 - Condominiums and rental units not receiving homeowner’s exemption.
 - Commercial and Industrial:
 - Rentals larger than fourplex.
 - All other commercial and industrial.
- **Did Not Pass. (Relates to rules to be presented to the legislature in 2007.)**